

Department of Veterans Affairs
Washington, DC 20420

VA Directive 6061
Transmittal Sheet
February 13, 2006

VA EARNED VALUE MANAGEMENT SYSTEM

- 1. REASON FOR ISSUE.** This directive establishes Department policy to ensure that VA establishes an Earned Value Management System (EVMS) that is compliant with American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard 748-A-1998 and demonstrates its use for both government and contractor costs for development work on major Information Technology (IT) capital investments.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES.** This directive sets forth Department-wide policy and responsibilities related to the implementation and management of the VA Earned Value Management System.
- 3. RESPONSIBLE OFFICE.** Office of Information and Technology (005), Office of the Deputy Associate Deputy Assistant Secretary for Policy, Portfolio Oversight & Execution (005P).
- 4. RELATED HANDBOOK.** None.
- 5. RESCISSIONS.** None.

CERTIFIED BY:

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:**

/s/

Robert N. McFarland
Assistant Secretary for
Information and Technology

/s/

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Assistant Secretary
for Information and Technology

Distribution: Electronic Only

VA EARNED VALUE MANAGEMENT SYSTEM

1. PURPOSE. The purpose of this Earned Value Management System (EVMS) Policy is to provide Department of Veterans Affairs and contractors with a standard set of instructions for the use of EVM. It presents the policy, applicability, and authority for EVM across the department.

2. POLICY.

a. This policy creates and implements an Earned Value Management System that is compliant with American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard 748-A-1998. In this regard and as required by an Office of Management and Budget memorandum M-04-24 of August 23, 2004, VA must demonstrate the use of a compliant EVMS for both government and contractor costs incurred by development work on major IT projects depending on where the work is performed. Implementing a compliant EVMS incorporates best business practices to improve VA project planning and execution as well as promote more effective management oversight.

b. Maintenance efforts for sustainment (System Operation/Steady State) or the sustainment portion of mixed life cycle projects are not required to be included in earned value calculations, but do require the use of post implementation reviews and operational analysis.

c. There are various degrees to which EVM requirements can be applied on VA internal projects. Appendix A, Table A-1, summarizes the dollar thresholds that trigger various levels of EVM implementation and reporting. Project Managers, the Project Management Offices (PMOs), and the Chief Information Officers (CIOs) evaluate each project as to the application of EVM.

d. Earned Value Management requirements will be applied on external contracts to ensure that contractor management systems provide the VA Project Managers and Executives with accurate data from which to make accurate and effective management decisions. Like the thresholds for the in-house VA EVMS, there are degrees to which EVM requirements can be imposed on contracted VA projects. Appendix B, Table B-1, summarizes the dollar thresholds that trigger various levels of EVM implementation and reporting for contractors.

e. The implementation of the VA EVMS will be consistent with ANSI/EIA Standard 748 which provides an overall structure for an integrated cost/schedule/performance measurement system. The structure consists of 32 criteria organized into five high-level categories including organization; planning, scheduling and budgeting; accounting considerations; analysis and management reports; and revisions and data maintenance.

3. RESPONSIBILITIES

a. **The Assistant Secretary for Information and Technology (005).** The Assistant Secretary is the VA Earned Value Management Executive and will:

- (1) Be responsible for policy and oversight to coordinate implementation of the requirements of this directive at the Department level;
- (2) Be responsible, as the VA Chief Information Officer (CIO), for the definition, implementation, adoption, and modification of this policy, its components, and all related processes and procedures through the established EVMS Governance structure; and
- (3) Provide EVMS program guidance to the administration CIOs, and staff offices.

b. **VA Enterprise Information Board (EIB).** The VA EIB will:

- (1) Provide a corporate forum for Departmental IT management;
- (2) Act as the executive decision-making body for the IT capital planning and investment control process;
- (3) Ensure investments in IT are compliant with the Department's policies;
- (4) Consider EVM data and analysis information in the select, control, and evaluate phases of the IT Portfolio Management process and the IT Capital Planning and Investment Control process; and
- (5) Provide advice and corporate perspective for IT plans and investments.

c. **Office of the Deputy Associate Deputy Assistant Secretary for Policy, Portfolio Oversight & Execution (005P).** This office through the Enterprise Project Management Office (PMO) will:

- (1) Lead the implementation and management of the EVMS program for the department and issue all necessary guidance and procedures;
- (2) Utilize resources of the Enterprise Project Management Council, the Earned Value Management Team, and Integrated Product Teams (IPT) in EVMS implementation and management activities. These teams will cross all administrations and staff offices and include representation from the Office of Financial Management, the Office of Acquisition and Materiel Management, and other staff offices considered appropriate;
- (3) Adhere to VA governance and change control procedures; and
- (4) Assign an EVMS Program Manager to manage the VA Earned Value Management System. The EVMS Program Manager will maintain the VA EVMS System Description and the operating procedures, conduct periodic audits, and provide guidance. In addition, the EVMS Program Manager will coordinate all EVMS compliance assessments, surveillance, and reviews.

d. **Administration CIOs and Staff Office IT Leads.** The Administration CIOs for Veterans Benefits Administration, Veterans Health Administration, and the National Cemetery Administration and the Staff Office IT Leads will:

- (1) Provide direction, leadership, and management over EVMS activities at the Administration level;
- (2) Take their technology direction and guidance from the Department's CIO; and

(3) Adhere to VA governance and change control procedures.

e. **IT Investment Review Working Group (IRWG).** This group will:

(1) Review detailed IT management documentation, including cost benefit analyses, project plans, and Enterprise Architecture artifacts to carry out these responsibilities;

(2) Forward all IT management documentation with its recommendations to the EIB;

(3) Perform as the working body of the EIB;

(4) Coordinate the IT capital planning and investment control process and procedures;

(5) Adhere to VA governance and change control procedures; and

(6) Support and advise the EIB on IT management issues in the Department.

f. **Enterprise Program Management Office.** The Enterprise PMO will:

(1) Provide oversight and support services for program project related activities;

(2) Validate performance measurement baselines;

(3) Validate Cost Performance Reports;

(4) Validate that EVMS requirements are included into in-house project charters;

(5) Provide for the conduct of an ANSI compliance assessment of the in-house VA EVMS;

(6) Provide for the conduct of EVMS surveillance of the in-house VA EVMS;

(7) Conduct Integrated Baseline Reviews with Project Managers, PMOs, and department representatives for in-house VA EVMS projects;

(8) Conduct initial contractor ANSI compliance assessments with Project Managers, Project Management Offices, and Contracting Office representatives utilizing the National Defense Industrial Association (NDIA) Program Management Systems Committee (PMSC), ANSI/EIA-748-A Standard for Earned Value Management Systems Intent Guide;

(9) Conduct contractor Integrated Baseline Reviews (IBR) with PMs, PMOs, and Contracting Officers prior to award or within six months after contract award, as appropriate (Note: *The Program Managers' Guide to the Integrated Baseline Review Process* should be used for conducting IBRs.). The conduct of a pre-award IBR is to be considered on a case-by-case basis and requires the approval of the VA CIO and the Deputy Assistant Secretary for Acquisition and Materiel Management ;

(10) Conduct surveillance in conjunction with the PMOs on contractor EVM systems utilizing the National Defense Industrial Association (NDIA) Program Management Systems Committee (PMSC), Surveillance Guide;

(11) Perform Operational Analysis on Steady State investments;

(12) Validate EVM data as part of the larger OMB Exhibit 300 review;

(13) Consider EVM data and analysis information in the select, control, and evaluate phases of the IT Portfolio Management process and the IT Capital Planning and Investment Control process and make recommendations to the EIB;

(14) Coordinate management decisions and actions relative to information provided in project reports, requests, and reviews;

(15) Provide EVMS training to VA and contractor personnel; and

(16) Adhere to VA governance and change control procedures.

g. Administration Program Management Offices and Staff Offices. The administration PMOs and Staff Offices will:

(1) Provide administration oversight and support services for program project related activities;

(2) Validate performance measurement baselines;

(3) Validate Cost Performance Reports;

(4) Submit consolidated implementation reports and Monthly Progress Reports to the Enterprise Program Management Office;

(5) Finalize and insert EVMS requirements into in-house project charters for all new work to commence on or after December 31, 2005;

(6) Participate with the EPMO in the conduct Integrated Baseline Reviews with Project Managers and department representatives for in-house VA EVMS projects;

(7) Participate with the EPMO in the conduct of initial contractor ANSI compliance assessments;

(8) Participate with the EPMO in the conduct of contractor Integrated Baseline Reviews;

(9) Participate with the EPMO in the conduct of surveillance on contractor EVM systems;

(10) Participate with the EPMO in the conduct of Operational Analyses on Steady State investments;

(11) Coordinate management decisions and actions relative to information provided in project reports, requests, and reviews; and

(12) Adhere to VA governance and change control procedures.

h. Office of Finance. This office will assist the EPMO in:

(1) Providing guidance and procedures for the alignment of the VA Enterprise Project Management automated tool, currently Primavera®, to the VA general ledger; assessing and allocating indirect costs; reconciling accounts; establishing management reserve accounts; and, managing undistributed budget (Currently, the VA Financial Management System (FMS) does not automatically integrate with VA's Enterprise Project Management tool (Primavera). Office of Management in conjunction with the Office of Information and Technology will assist project managers to manually reconcile projects to FMS. Guidance will be issued separately.);

- (2) Defining indirect, direct, material, and unit cost accounting and management procedures;
- (3) Defining accounting/ budget reconciliation procedures;
- (4) Defining management reserve and undistributed budget procedures; and
- (5) Integrating the VA Accounting System and the VA Enterprise Project Management automated tool.

i. **Contracting Officers.** Contracting Officers will:

- (1) Insert EVMS requirements and FAR language into Solicitations, Contracts, Statements of Work (SOW), and Statements of Objectives (SOO) (as applicable) for all new work to commence on or after December 31, 2005. For existing contracts, EVMS requirements and Federal Acquisition Regulation (FAR) language must be inserted at the time of contract modification, extension, or exercise of option. (Note: Per OMB memorandum M-05-23 of August 4, 2005, until the proposed amendment to the Federal Acquisition Regulation (FAR Case 2004-019) is approved, the language in Appendix C applies);
- (2) Work with Project Managers and respective Project Management Offices to determine the application of EVM requirements to contracts;
- (3) Require contractors to submit system descriptions and proof of prior certification with proposals;
- (4) Require contractors to develop and deliver a work breakdown structure (WBS) and associated schedule. The WBS must be decomposed such that at least one deliverable would occur for each reporting period, currently one month;
- (5) Coordinate initial ANSI compliance assessments with the respective contractor, Project Manager, the Enterprise Program Management Office, and administration Program Management Office;
- (6) Coordinate Integrated Baseline Reviews, when required, with the respective contractor, Project Manager, the Enterprise Program Management Office, and administration Program Management Offices;
- (7) Coordinate the conduct of surveillance on contractor EVM systems;
- (8) Coordinate the conduct of Operational Analyses on Steady State investments;
- (9) Require contractors to submit Cost Performance Reports on a monthly basis.
- (10) Require contractors directly supporting VA work efforts to participate in the VA EVMS to include the completion of timesheets in the Primavera® VA application.

j. **Under Secretaries, Assistant Secretaries, and Other Key Officials.** These officials will:

- (1) Assign a qualified Level III project manager to each major IT project;

(2) Comply with all applicable Federal and VA policies, regulations, standards and guidelines relative to the development, acquisition, implementation, deployment, maintenance, management and assessment of VA's EVMS;

(3) Ensure that organizational application of earned value is compatible with the corporate VA EVMS;

(4) Ensure all OMB Exhibit 300 programs and projects involving development work apply all EVMS requirements;

(5) Ensure all required reports, plans, etc., will be submitted to the Enterprise Project Management Office and the VA CIO in a timely manner;

(6) Provide representatives to serve on EVMS working groups or committees sponsored by the VA CIO;

(7) Submit requests for waivers of policy and/or standards;

(8) Direct and/or conduct, on a continuing basis, assessments of EVMS- related activities. Ensure that recommendations and follow-up actions resulting from a completed assessment are implemented on a timely basis;

(9) Conduct reviews of IT investments to include EVMS-related information;

(10) Adhere to VA governance and change control procedures; and

(11) Make decisions related to EVMS in a timely manner and implement managerial actions as a result of those decisions.

k. **Program and Project Managers.** Program and Project Managers will:

(1) Use earned value data and analysis to measure and report work progress;

(2) Apply EVMS requirements to all OMB Exhibit 300 programs and projects involving development work;

(3) Use earned value or operational analyses, as appropriate, to determine how actual cumulative performance measures up against the approved cost and schedule baseline;

(4) Utilize the VA EVMS based on the VA Enterprise Project Management automated tool, currently Primavera[®], to manage their projects;

(5) Decompose the project work breakdown structure and associated schedule for in-house projects that would allow for the submission of at least one deliverable or the establishment of one measurable indicator of progress for each reporting period, currently one month;

(6) Establish and validate performance measurement baselines with clear cost, schedule and performance goals;

(7) Objectively and regularly assess work accomplished;

(8) Analyze significant variances from the performance measurement baseline as outlined in the EVMS Performance Measurement Baseline Management Guide, forecast impacts, revise completion estimates, propose corrective actions, as necessary, and report progress;

(9) Submit Monthly EVM System Implementation Status Report information and other ad hoc reports, as required, through the respective Administration PMO (PEO) and Staff Office;

(10) Submit Cost Performance Reports to the EPMO through the respective administration PMO (PEO) and Staff Office;

(11) Submit Monthly Performance Reports;

(12) Provide briefings for reviews and executive meetings, as required;

(13) Calculate OMB Exhibit 300 EVMS data monthly;

(14) Submit an OMB Exhibit 300 yearly;

(15) Utilize VA governance, escalation, and approved change control procedures to modify the performance measurement baseline as outlined in the EVMS Performance Measurement Baseline Management Guide;

(16) Utilize approved configuration management procedures to manage project changes;

(17) Manage and perform project activities as outlined in the One VA Project Management Guide, Primavera[®] IT Project Office Policy Document, Standard Operating Procedures, user guides, and other guidance, as directed;

(18) Manage and measure development projects to within ten percent of baseline goals through use of an EVMS compliant with the guidelines in ANSI/EIA STD -748 or, for steady-state investments, perform operational analyses; and

(19) Substantiate the cost of doing EVM for contracts less than \$20M and in-house projects less than \$5M, perform a risk assessment and Benefit Cost Analysis, and submit a recommendation to use EVM for approval to the VA CIO.

I. Control Account Managers. The Control Account Manager (CAM) reports to the Project Manager and is responsible for planning, executing, and controlling the work in a control account, which is the focal point for management control. A control account is formed at the intersection of a WBS work element and the organizational breakdown structure element that is assigned to do that work. Work in a control account can be done by an individual or team, but must be managed by a single individual, the CAM. The control account manager will:

(1) Manage functional components of large projects;

(2) Provide subject matter expertise, specific technical skills;

(3) Utilize the VA EVMS based on the VA Enterprise Project Management automated tool, currently Primavera[®], to manage their work;

(4) Collaborate with the project manager, VA staff, project team members, and subject matter experts to develop the project WBS;

(5) Assume responsibility for assigned work and planning packages;

(6) Identify required activities, steps, interdependencies and labor units or durations for effective project schedule development;

- (7) Assign budget and schedule for each work/planning package;
- (8) Receive work authorization from the program/project manager;
- (9) Manage the execution of work;
- (10) Report activity, risks, and issue status to the project manager on a weekly basis;
- (11) Report costs and expenses relevant to assigned activities utilizing Primavera; and
- (12) Adhere to VA governance and change control procedures.

m. **VA Staff and Project Team Members.** VA staff members as project team members supporting a project will:

- (1) Perform assigned project duties under the cognizance and direction of the Project Manager;
- (2) Provide subject matter expertise, specific technical skills;
- (3) Complete assigned project activities;
- (4) Collaborate with the control account manager to develop the project WBS;
- (5) Identify required activities, steps, interdependencies and labor units or durations for effective project schedule development;
- (6) Report activity, risk and issue status to the control account manager on a weekly basis;
- (7) Report costs and expenses relevant to their assigned activities utilizing the VA Enterprise Project Management automated tool, currently Primavera®;
- (8) Record and submit all time necessary to account for their full tour of duty, including time spent on assigned project activities on a weekly basis utilizing the currently approved time collection method, Primavera® Timesheets;
- (9) Perform project activities as outlined in the One VA Project Management Guide, Primavera® IT Project Office Policy Document, Standard Operating Procedures, user guides, and other guidance, as directed; and
- (10) Adhere to VA governance and change control procedures.

4. REFERENCES.

- a. American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard 748-A-1998, *Earned Value Management Systems*, May 1998.
- b. Clinger-Cohen Act of 1996.
- c. E-Government Act of 2002 (P.L. 107-347).
- d. Federal Acquisition Regulation Case 2004-019.
- e. Federal Acquisition Streamlining Act of 1994, Title V.
- f. Government Performance and Results Act of 1993.

- g. National Defense Industrial Association (NDIA) Program Management Systems Committee (PMSC), *ANSI/EIA-748-A Standard for Earned Value Management Systems Intent Guide*, January 2005.
- h. National Defense Industrial Association (NDIA) Program Management Systems Committee (PMSC), *Surveillance Guide*, October 2004.
- i. National Defense Industrial Association (NDIA) Team, *The Program Managers' Guide to the Integrated Baseline Review Process*, April 2003.
- j. Office of Management and Budget (OMB) Circular A-11, Part 7, *Planning, Budgeting, Acquisition and Management of Capital Assets*, revised June 2005.
- k. Office of Management and Budget (OMB) memorandum M-04-24, August 23, 2004.
- l. Office of Management and Budget (OMB) memorandum M-05-23, August 4, 2005.
- m. 48 Code of Federal Regulations, Parts 2, 7, 34, 42, and 52.

EVM Application on Internal VA Projects

1. Internal VA Projects. The various degrees to which EVM requirements are applied on VA internal projects with development efforts (System Development Lifecycle Steps 0 through 4) or with system improvement efforts are outlined in Table A-1.

2. Notes and Conditions. There are important notes and conditions to consider regarding the use of Table A-1 as follows:

a. All OMB Exhibit 300 programs and projects involving development work must apply all EVMS requirements.

b. Thresholds are in then-year dollars and refer to estimated total project cost including contract options.

c. Project Total Estimated Cost includes all costs from Concept Definition Milestone 0) through System Deployment (Milestone IV).

d. Requests for waiver of any of these requirements must be processed through the established EVMS Governance structure at VA and must be approved by VA's CIO.

e. No specific application thresholds for EVM are established for projects less than \$5.0M. However, the option exists for VA Project Managers and Executives to request inclusion of certain projects in the EVMS. These projects should be carefully evaluated; only the minimum amount of EV data required for management control should be collected and analyzed. If the projects are not included in the EVMS then some form of performance data should be obtained in lieu of EV data.

f. Programs can not be broken down to smaller projects in order to avoid applying EVM.

g. The method of EVM application on a contract depends primarily on the nature of the work, i.e. contractors providing direct support services to VA staff will be required to participate in the VA EVMS and submit timesheets, while contractors operating as a distinct entity producing a deliverable may be required to have their own compliant EVMS, per Appendix B, Table B-1, and provide EVM reports to the VA.

h. The VA CIO will determine whether or not other factors should be considered when applying or tailoring EVM requirements that include:

- (1) Nature of the work effort,
- (2) Risk,
- (3) Mission criticality,
- (4) Complexity of the work effort,
- (5) Criticality of the schedule to the project or other projects,
- (6) Project and subcontract strategy, and
- (7) Management needs.

i. Maintenance related costs of new or modernized systems as part of full acquisition and planning initiatives must be included as part of the project EVM calculations until the transition to steady state is fully completed. Costs associated with maintaining phases of an initiative placed into production before the completion of the entire system are considered as part of development.

j. Maintenance efforts for sustainment or the sustainment portion of mixed life cycle projects are not required to be included in earned value calculations, but do require the use of Post Implementation Reviews and operational analysis.

k. Integrated Master Schedule guidance is contained in VA Integrated Master Schedule Description: VA-DI-MGMT-81650.

l. A Cost Performance Report (CPR) is required monthly and formats 1-5 are to be applied. Cost Performance Report guidance is contained in VA Cost Performance Report Description: VA-DI-MGMT-81466A. Reporting will be based on WBS level 3 for project work or as directed.

Project Total Estimated Cost	Project Type	EVM Requirements			
		Integrated Master Schedule (IMS)	Integrated Baseline Review (IBR)	Cost Performance Reports (CPR)	Formal Surveillance and Audits
\$20.0M and over	All	Required	Required	Required	Required
\$5.0M to \$19.9M	All	Required	Required	Required	Optional
Under \$5.0M	All	Optional	Optional	Optional	Optional

Table A-1. Thresholds for EVM application on internal VA projects

EVM Application on Contractors

1. External Contracts. The degrees to which EVM requirements can be imposed on contracted development efforts (System Development Lifecycle Steps 0 Through 4) or system improvement efforts are listed in Table B-1.

2. Notes and Conditions. There are important notes and conditions to consider regarding the use of Table B-1 as follows:

a. All OMB Exhibit 300 programs and projects involving development work must apply all EVMS requirements.

b. Thresholds are in then-year dollars and refer to estimated total cost including contract options.

c. Requests for waiver of any of these requirements must be processed through VA EVMS Governance structure and shall be submitted for and granted an approval by VA's CIO.

d. The method of EVM application on a contract depends primarily on the nature of the work, i.e. contractors providing direct support services to VA staff will be required to participate in the VA EVMS and submit timesheets, while contractors operating as a distinct entity producing a deliverable may be required to have their own compliant EVMS, per Table B-1, and provide EVM reports to the VA.

e. VA will decide the flow down of the EVM requirement to subcontractors. In all cases, the prime contractor is responsible for reporting EVM data.

f. Contractors are required to resource load schedules in order to set a performance measurement baseline. Resources do not have to be specifically named.

g. If the size of a contract modification results in a total contract value that exceeds an EVM application threshold, then the applicable EVM requirements are imposed for that modification and for all remaining contract work as of the approval date of the modification.

h. If contract growth is expected to exceed an EVM application threshold, then EVM is required.

i. If contract growth is not expected to exceed an EVM threshold, but does, a risk-based decision by the VA CIO is required as to the application of EVM.

j. Subcontractors that receive high risk contracts from prime contractors may be subject to the application of EVM at the discretion of the VA.

k. Programs can not be broken down to smaller projects or contracts in order to avoid applying EVM.

l. The decision to implement EVM on contracts should be based on need for insight into progress and performance measurement. The decision to implement EVM based on risk and/or high visibility must be made by both the Program Manager and

Contracting Officer, approved by the VA CIO. Factors that should be considered when applying or tailoring EVM requirements include:

- (1) Nature of the work effort,
- (2) Risk,
- (3) Mission criticality
- (4) Complexity of the work effort,
- (5) Criticality of the schedule to the project or other projects,
- (6) Project and subcontract strategy, and
- (7) Management needs.

m. When required by the Solicitation, each offeror's proposal shall include a description of the EVMS to be used in accordance with thresholds shown in Table B-1. An offeror proposing to use an EVMS previously accepted by the Government may cite and provide a copy of the Advance Agreement or Letter of Acceptance. Each offeror's proposal should include a system description and a listing of procuring activity points of contact for contracts where the proposed EVMS has been previously used. An offeror not having a previously accepted system should submit a plan to obtain system acceptance (refer to Federal Acquisition Regulation language in Appendix C for description of the plan). This process may involve self-evaluation with appropriate Government involvement, third party certification, or Government review.

n. Maintenance related costs of new or modernized systems as part of full acquisition and planning initiatives must be included as part of the project EVM calculations until the transition to steady state is fully completed. Costs associated with maintaining phases of an initiative placed into production before the completion of the entire system are considered as part of development.

o. Maintenance efforts for sustainment (System Operation/Steady State) or the sustainment portion of mixed life cycle projects are not required to be included in earned value calculations, but do require the use of Post Implementation Reviews and operational analysis.

p. A Cost Performance Report (CPR) is required monthly and formats 1-5 are to be applied. CPR formats are not negotiable. Cost Performance Report guidance is contained in VA Cost Performance Report Description: VA-DI-MGMT-81466A. Reporting will be based on WBS level 3 for contracted work, as applicable. Any requirement for Cost/Schedule Status Reports (C/SSR) and Contract Funds Status Reports (CFSR) is not to be applied and those reports will not be accepted from contractors by VA.

q. CPR submission requirements and tailoring considerations for contracts greater than or equal to \$20M but less than \$50M are as follows:

- (1) Submission of Formats 1 and 5 is mandatory
- (2) Submission of formats 2, 3, and 4 is optional
- (3) Tailoring considerations are risk-based and include:

- (a) Contract work breakdown structure
- (b) Frequency and selection of formats
- (c) Level of reporting
- (d) Submission dates
- (e) Date of first and last reports
- (f) Format 5 variance analysis/variance thresholds
- (g) Contractor format
- (h) Electronic data interchange format

r. No specific application thresholds for EVM are established for projects less than \$20.0M. However, the option exists for VA Project Managers and Executives to request inclusion of certain projects in the EVMS. These projects should be carefully evaluated; only the minimum amount of EV data required for management control should be collected and analyzed. If the projects are not included in the EVMS then some other form of performance data should be obtained in lieu of EVM data.

s. CPR submission and tailoring options for contracts less than \$20M should be risk-based and are listed as follows:

- (1) Submission of Formats 1 and 5 is required.
- (2) Submission of Formats 2, 3, and 4 is optional.
- (3) Format 1 and 2 tailoring options include:
 - (a) Reporting performance in hours instead of dollars, and
 - (b) Reporting costs at price level for Firm Fixed Price contracts.
- (4) Format 5 tailoring options include:

(a) If schedule risk is a concern, the primary focus should be put on schedule variances;

(b) Variance analysis, risk, and corrective action information from the IMS may be substituted for the Format 5 reporting form; and

(c) Use of suitable alternatives for Format 5 that may include contractor internal reports and status meetings.

t. IMS tailoring considerations should be risk-based and are listed as follows:

- (1) Degree of networking
- (2) Frequency and submission
- (3) Date of first and last reports
- (4) Frequency of schedule risk analysis
- (5) Electronic data interchange format

u. Integrated Master Schedule guidance is contained in VA Integrated Master Schedule Description: VA-DI-MGMT-81650.

Contract Type	Thresholds	EVM Requirements
All	$\geq \$50M$	<ul style="list-style-type: none">- Compliance with industry EVM standard- Formal EVM system validation- Cost Performance Report- Integrated Master Schedule- Integrated Baseline Reviews- Ongoing surveillance
All	$< \$50M$ but $\geq \$20M$	<ul style="list-style-type: none">- Compliance with industry EVM standard- No formal EVM system validation- Cost Performance Report (tailored)- Integrated Master Schedule (tailored)- Integrated Baseline Reviews- Ongoing surveillance
All	$< \$20M$	<ul style="list-style-type: none">- EVM optional based on risk assessment- Cost-benefit analysis required to use EVM- Requires VA CIO approval

Table B-1. Thresholds for EVM application on contracts.

Earned Value Management Contractual Language Requirements

1. **EVMS Language.** Contracting Officers shall insert EVMS requirements and Federal Acquisition Regulation language into Solicitations, Contracts, Statements of Work (SOW), and Statements of Objectives (as applicable) for all new development, modernization, and enhancement work to commence on or after December 31, 2005. For existing development, modernization, and enhancement contracts, EVMS requirements and FAR language shall be inserted at the time of contract modification, extension, or exercise of option.

A Federal Acquisition Regulation final rule resulting from FAR case 2004-019 is expected in the future. Per OMB memorandum M-05-23 of August 4, 2005, until a formal change to the FAR is issued, the following language shall be inserted in applicable VA solicitations and contracts. After that FAR change is issued, its language shall be used in place of the following.

2. **Solicitation Provisions.** One of the following provisions shall be inserted into solicitations depending on whether or not a pre-award Integrated Baseline Review (IBR) is required.

(a) **No Pre-Award Integrated Baseline Review (IBR).** The contracting officer shall insert the following provision from FAR case 2004-019 in solicitations for contracts that require the contractor to use an earned value management system and for which the Government may require an Integrated Baseline Review after contract award. This provision does not require a pre-award IBR.

“NOTICE OF EARNED VALUE MANAGEMENT SYSTEM

(a) The offeror shall provide documentation that VA or a Federal department or agency has recognized that the proposed earned value management system (EVMS) complies with the EVMS guidelines in ANSI/EIA Standard – 748 (current version at time of solicitation).

(b) If the offeror proposes to use a system that does not meet the requirements of paragraph (a) of this provision, the offeror shall submit to the Contracting Officer a comprehensive plan for compliance with the EVMS guidelines.

(1) the plan shall –

(i) Describe the EVMS the offeror intends to use in performance of the contracts;

(ii) Distinguish between the offeror's existing management system and modifications proposed to meet the guidelines;

(iii) Describe the management system and its application in terms of the EVMS guidelines;

- (iv) Describe the proposed procedure for administration of the guidelines, as applied to subcontractors: and
 - (v) Provide documentation describing the process and results of any third-party or self-evaluation of the system's compliance with the EVMS guidelines.
- (2) The offeror shall provide information and assistance as required by the Contracting Officer to support review of the plan.
- (3) The Government will review the offeror's plan for EVMS before contract award.
- (c) Offerors shall identify the major subcontractors, or major subcontracted effort if major subcontractors have not been selected, planned for application of the guidelines. The prime contractor and the Government shall agree to subcontractors selected for application of the EVMS guidelines. (Insert list _____). (End of provision)"
- (b) **Pre-Award Integrated Baseline Review Required.** The contracting officer shall insert the following provision from FAR case 2004-019 in solicitations for contracts that require the contractor to use an EVMS and for which the Government will require an IBR prior to contract award.

“NOTICE OF EARNED VALUE MANAGEMENT SYSTEM,
PRE-AWARD IBR (DATE)

- (a) The offeror shall provide documentation that the VA or a Federal department or agency has recognized that the proposed earned value management system (EVMS) complies with the EVMS guidelines in ANSI/EIA Standard– 748 (current version at time of solicitation).
- (b) If the offeror proposes to use a system that does not meet the requirements of paragraph (a) of this provision, the offeror shall submit a comprehensive plan for compliance with the EVMS guidelines.
 - (1) The plan shall—
 - (i) Describe the EVMS the offeror intends to use in performance of the contracts;
 - (ii) Distinguish between the offeror's existing management system and modifications proposed to meet the guidelines;
 - (iii) Describe the management system and its application in terms of the EVMS guidelines;
 - (iv) Describe the proposed procedure for administration of the guidelines, as applied to subcontractors; and

(v) Provide documentation describing the process and results of any third-party or self-evaluation of the system's compliance with the EVMS guidelines.

(2) The offeror shall provide information and assistance as required by the Contracting Officer to support review of the plan.

(3) The Government will review and approve the offeror's plan for EVMS before contract award.

(c) Offerors shall identify the major subcontractors, or major subcontracted effort if major subcontractors have not been selected subject to the guidelines. The prime Contractor and the Government shall agree to subcontractors selected for application of the EVMS guidelines.

(d) The Government will conduct an Integrated Baseline Review (IBR), as designated by the agency, prior to contract award. The objective of the IBR is for the Government and the Contractor to jointly assess technical areas, such as the Contractor's planning, to ensure complete coverage of the contract requirements, logical scheduling of the work activities, adequate resources, methodologies for earned value (budgeted cost for work performed (BCWP)), and identification of inherent risks. (End of provision)"

3. **Contract Clause.** The contracting officer shall insert the following clause from FAR case 2004-019 in solicitations and contracts that require a contractor to use an earned value management system.

"EARNED VALUE MANAGEMENT SYSTEM

(a) In the performance of this contract the contractor shall use an earned value management system (EVMS) to manage the contract that at the time of contract award has been recognized by VA or a Federal department or agency as compliant with the guidelines in ANSI/EIA Standard -748 (current version at time of award) and the contractor will submit reports in accordance with the requirements of this contract.

(b) If, at the time of award, the Contractor's EVMS has not been recognized by VA or a Federal department or agency as complying with EVMS guidelines (or the Contractor does not have an existing cost/schedule control system that is compliant with the guidelines in ANSI/EIA Standard -748 (current version at time of award)), the Contractor shall apply the system to the contract and shall be prepared to demonstrate to the Contracting Officer that the EVMS complies with the EVMS guidelines referenced in paragraph (a) of this clause.

(c) VA may conduct Integrated Baseline Reviews (IBR). An IBR shall be scheduled as early as practicable after contract award, but not later than 180 days after award. The Contracting Officer may also require an IBR at (1) exercise of significant options or (2)

incorporation of major modifications. Such reviews will normally be scheduled before award of the contract action.

(d) Unless a waiver is granted by the Contracting Officer, Contractor proposed EVMS changes require approval of the Contracting Officers prior to implementation. The Contracting Officer shall advise the contractor of the acceptability of such changes within 30 calendar days after receipt of the notice of proposed changes from the contractor. If the advance approval requirements are waived by the Contracting Officer, the contractor shall disclose EVMS changes to the Contracting Officer at least 14 calendar days prior to the effective date of implementation.

(e) The contractor agrees to provide access to all pertinent records and data requested by the Contracting Officer or a duly authorized representative. Access is to permit Government surveillance to ensure that the EVMS conforms, and continues to conform, with the performance criteria referenced in paragraph (a) of this clause.

(f) The contractor shall require the subcontractors specified below to comply with the requirements of this clause: (Insert list of applicable subcontractors)

(End of Clause)”

4. Statements of Work and Statements of Objectives. The SOW and the SOO (as applicable) should contain requirements for the contractor to perform the contract technical effort using an ANSI compliant EVMS that correlates cost and schedule performance with technical progress. The requirement to flow-down EVMS compliance to subcontractors should also be described. The following paragraphs reflect EVMS requirements and may be modified as necessary for selected use.

a. **Government Project Tracking Application.** Contractor personnel integrated into VA Staff and providing direct support in the completion of VA project tasks as part of the Government Earned Value Management System must provide assigned task planning, executing, controlling, and closing information to government project management staff. Gathering this information would include having individual contractor resources enter their planned and actual work time against their assigned activities into the government project tracking/timesheet application. The contractor shall be responsible for ensuring all work information is correct.

b. **Program Management Reviews.** The Contractor shall conduct Program Management Review (PMR) meetings at mutually agreed upon dates and locations. During these reviews, the contractor shall present integrated cost, schedule, and technical performance status. Government Integrated Product Team (IPT) leads or functional managers shall include cost information in discussions of schedule status, technical performance, and risk using earned value as an integrating tool. The following shall be addressed: Cost/schedule trends, significant cost/schedule/technical variances, projected impacts, quantified risk assessments, and corrective action plans.

c. **Contractor Earned Value Management.** The Cost Performance Report Description (VA-DI-MGMT-81466A), and Integrated Master Schedule Description (VA-DI-MGMT-81650) shall be developed, maintained, updated/statused and reported on a monthly basis per deliverable requirements, respectively. The contractor shall establish, maintain, and use in the performance of this contract, an integrated

management system compliant with the Industry Guidelines for Earned Value Management Systems (EVMS) ANSI/EIA-748 as determined by the Government.

An EVMS that has been formally validated and accepted by the cognizant contracting officer is required for all (fixed price, cost, or incentive) contracts, subcontracts, and other agreements valued at or greater than \$50 million in then-year dollars. The application of these concepts shall provide for early indicators of contract cost and schedule problems.

For contracts valued at or greater than \$20 million but less than \$50 million then-year dollars, the following statement applies: The contractor is required to have an Earned Value Management System that complies with ANSI/EIA-748; however, the government will not formally validate/accept the contractor's management system (no formal review). The contractor will submit an EVMS description and proof of prior certification with its bid.

d. **Integrated Baseline Review (IBR).** The contractor shall review its performance measurement baseline plan with the Government within six months of contract award or initiation of an Unfinitized Contract Action, and subsequently, when required, following major changes to the baseline. The Government will verify during the IBR, and follow-on IBRs when required that the contractor has established and maintains a reliable performance measurement baseline. The contractor will ensure that the baseline includes the entire contract technical scope of work consistent with contract schedule requirements, and has adequate resources assigned. The contractor will assure the Government that effective earned value methodologies are used to accurately measure work accomplished and determine contract cost, schedule, and technical performance. The IBR will be used to achieve a mutual understanding of the baseline plan, cost and schedule risk, and the underlying management processes used for planning and controlling the project.

e. **Subcontract Cost/Schedule Management and Reporting.** Subcontracts exceeding \$20M in then-year dollars will apply the requirements of the Integrated Master Schedule Description (VA-DI-MGMT-81650) and the Cost Performance Report Description (VA-DI-MGMT-81466). For contracts valued at or greater than \$20 million but less than \$50 million, the following statement applies: The contractor is required to have an Earned Value Management System that complies with ANSI/EIA-748; however, the Government will not formally validate/accept the contractor's management system (no formal review). EVMS flow down to contracts of less than \$20M in then-year dollars or Firm Fixed Price contracts that exceed 12 months duration is a risk-based decision and will be as mutually agreed between the contractor and the Government.

f. **Contract Work Breakdown Structure (CWBS).** The contractor shall develop and maintain the CWBS and CWBS dictionary.

g. **Over Target Baseline (OTB)/Restructure.** The contractor may conclude the baseline no longer represents a realistic plan in terms of budget/schedule execution. In the event the contractor determines an OTB/Restructuring action is necessary, the contractor must obtain Government approval prior to implementing an OTB/Restructuring action. The request should also include detailed implementation

procedures as well as an implementation timeframe. The contractor will not implement the OTB/Restructuring prior to receiving written approval from the Contracting Officer.

h. **Award Fee Criteria.** For contracts that include an award fee, the contractor will demonstrate the use of Earned Value Management (EVM) as a tool for cost and schedule control and as a basis for communicating with the Government. The Government will determine the eligibility for of and amount of any award fee granted. In addition to demonstrating the use of EVM award fee criteria for the contractor will include the following:

- (1) Maintain timely detail planning as far in advance as practical;
- (2) Ensure the system provides accurate cost/schedule performance status, reliable and timely cost/schedule projections, and quantified risk assessments;
- (3) Provide clear and comprehensive explanations of performance problems and associated impacts, and establish and carry out effective recovery plans;
- (4) Control and minimize changes to the baseline particularly in the near term;
- (5) Ensure all subcontractor-authorized effort is detail planned into measurable objective work packages to the extent possible;
- (6) Provide program-level Estimate at Completion (EAC) assessments that include consideration of potential risks and cost containment plans; and

Demonstrate responsiveness regarding management system and cost/schedule performance questions and issues/concerns raised by the Government.